

Testimony of Commissioner Jan Lynn Owen
Department of Business Oversight
Assembly Committee on Banking and Finance
February 6, 2014

- Mr. Chair and members of the Assembly Committee on Banking and Finance, I am Jan Lynn Owen and I have the honor of serving as the Commissioner at the Department of Business Oversight.
- The Department was created on July 1, 2013 through the consolidation of the former Department of Financial Institutions and Department of Corporations as part of the Governor's Reorganization Plan 2.
- The Department licenses and regulates financial institutions, products and services, including state-chartered banks and credit unions, money transmitters, deferred deposit transaction originators – commonly known as payday lenders – and securities broker-dealers.
- I am pleased to be with you here today to speak about Bank On California and I thank you for the opportunity.

Bank On California Program Overview

- Bank On California is a voluntary collaborative launched in December 2008 to promote traditional financial services, including low cost-checking and savings accounts and access to financial education opportunities, to unbanked and under-banked Californians.
- Upon development in 2008, Governor Schwarzenegger's Office of Planning and Research and the FDIC oversaw the Bank On program until 2011.
- The statewide program was modeled after the San Francisco program, which launched in 2005. The group formed a coalition comprised of the Treasurer's Office, the Federal Reserve Bank of San Francisco, nonprofit organizations, and banks and credit unions, which eventually became Bank On San Francisco.
- California was the first state in the nation to launch such an initiative seeking to draw the unbanked into the financial mainstream.
- Currently, the FDIC participates in Bank On as part of their Economic Inclusion program to ensure that consumers have access to basic financial services as well as to develop meaningful data about unbanked and under-banked households and the factors that hinder them from fully utilizing the mainstream financial system.
- In 2011, state leadership was temporarily provided by the Department of Consumer Affairs. In 2012, the former Business, Transportation and Housing Agency approached the former Department of Financial Institutions, who was a partner of Bank On California since it was launched in 2008, to provide the state leadership.

- Since 2012, the Department of Business Oversight (formerly the Department of Financial Institutions) and the FDIC, have jointly provided guidance to existing Bank On programs and to cities, counties and regions that are seeking to start a Bank On program in their region. The Federal Reserve Bank of San Francisco is also involved with Bank On efforts.
- Since March 2012, Bank On California has grown from seven to twelve cities and counties with active Bank On programs.
- Current active Bank On programs exist in the following regions:
 - Sacramento, which includes Sacramento, Amador, El Dorado, Placer and Yolo
 - Los Angeles
 - San Francisco
 - Oakland
 - Fresno
 - San Diego
 - San Jose
 - Napa Valley
 - Santa Ana/Orange
 - Stanislaus
 - American Canyon, and the
 - Central Coast, which includes Monterey, Santa Cruz, Salinas and Watsonville
- We understand there are additional cities and counties considering forming their respective Bank On programs.
- The Department does not have statutory authority over Bank On California or any of the regional programs, and therefore cannot require regional programs to provide information about the performance of the regional Bank On programs. The Department does provide limited general support. Currently, one DBO staff person spends 10% of her time on Bank On California activities including:
 - Participating in Train-the-Trainer Sessions by the FDIC to ensure a strong community base of financial education trainers;
 - Maintaining the statewide Bank On Website. The Website is hosted in the cloud at a monthly cost of \$73.64. Regional programs maintain their respective program websites;
 - Promoting online and social media to support regional Bank On coalitions and to share financial education resources;

- Participates in monthly Bank On Coordinator calls, hosted on an FDIC conference line, to discuss regional Bank On activities and to share best practices and resources; and;
- Speak at all-partner meetings hosted by each city to provide updates at the state and federal level.

Data Collection

- When the Bank On California program moved to the DBO (formerly the Department of Financial Institutions), there was not then nor now a formal mandate or authority for the participating institutions to report information to their respective Bank On regional programs, and in turn have that data provided to the Department. Therefore, the Department currently does not officially track the regional Bank On program activity operating throughout the state.
- Currently, it appears that financial institutions that choose to submit information, submit self-report new account data to regional Bank On programs on a quarterly basis. That account data is used by the regional coordinator to report regional Bank On activities to their community partners, including participating banks, credit unions and community organizations. Such information is shared at Bank On meetings and has been used by regional Bank On programs to promote the program. (For example, Bank on San Francisco’s website self-reports that “Unbanked San Franciscans have opened more than 10,000 checking accounts per year since 2006.”)
- Data submitted to the regional Bank On coordinator may be dissimilar due to varying IT systems that track account information differently. And of course not all bank and credit union Bank On participants report data.
- In the past, regional Bank On programs have sought to streamline data collection efforts by creating a data collection committee and adding definitions to the data submission template; however data consistency is still lacking since not all regional programs have adopted consistent collection tactics. Inconsistency leads to a lack of reliable information on data points, including average monthly balance, delinquent/non-sufficient funds accounts, referrals, and zip code information.

Complaints about Bank On

- The Department has not received any formal complaints specific to the Bank On program - nor had the former Department of Financial Institutions before July 1, 2013.

Reaching Program Goals

- At its launch, Bank On California had an initial goal of creating 100,000 bank accounts over a two-year period.
- In its first year of operation, Bank On California created 200,000 bank accounts as reported by Governor Schwarzenegger’s Office and the FDIC.

- To date, regional Bank On California coalitions have reported to create more than 300,000 bank accounts.

Bank On Structure/Information Transferred

- Upon development of the statewide program, Bank On had \$1 million in original funding from private and non-profit sources.
- The United Way of the Bay Area initially served as the fiscal agent for Bank On California. Original funding was provided by Bank of America, the Federal Deposit Insurance Corporation (FDIC); PEW Charitable Trusts, United Way of the Bay Area, The Walter S. Johnson Foundation, Wells Fargo Bank, and Visa Inc. Funding was exhausted before the program was moved to the former DFI.
- Bank On California marketing materials were produced and printed *pro-bono* by McCann Erickson, an advertising agency, and are still being used. Upon the depletion of these materials, each regional program will be responsible to the creation and production of future materials.

Closing

- Our role as a regulator is to fully enforce our state's financial services laws to provide a fair, safe and secure financial services marketplace that is accessible to all California consumers.
- The Department strives to protect consumers engaged in financial transactions and provides consumers with resources to make the best personal financial decisions.
- The Bank On program was developed to help provide the unbanked and under-banked communities of California access to low-cost financial services and products that are in their best personal financial interest.
- The Department will continue to work with the regional coordinators to support accessibility of financial services to all California consumers and provide educational opportunities on the variety of financial products available. Thank you again for the invitation to testify. I am available if you have any questions.